

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON,
ARIZONA**
**Minutes of the Regular Meeting
of the Board of Directors**

October 8, 2009

At the
Ward VI Council Office East Meeting Room
3202 East First Street
Tucson, Arizona 85716

Present:	Board Members	Marilyn Robinson Christopher Carroll Gary Bachman Randi Dorman Adam Weinstein Maggie Amado-Tellez Evelia Martinez
	Staff	Gary Molenda, Business Development Finance Corporation Karen J. Valdez, Business Development Finance Corporation Charles W. Lotzar, Lotzar Law Firm, P.C.
	Guests	Pamela Sutherland
	Absent	Nancy Lutz

The Special Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **October 8, 2009** at the Ward VI Council Office, 3202 East First Street, Tucson, Arizona. All Authority’s Board Members and the general public were duly notified of the meeting. C. Lotzar explained that Arizona’s Open Meeting Laws allow for members of the Authority’s Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard.

ITEM	ACTION TAKEN/TO BE TAKEN
I. Call to Order. M. Robinson introduced and welcomed Evelia Martinez who was appointed by Mayor & Council on September 15, 2009 . Introductions were made by all.	The meeting was called to order at 4:09 p.m. with a quorum present.
II. Request for resolution to approve the minutes of the Board of Director’s Regular Meeting of September 10, 2009. M. Robinson noted one change on page 3 item V : change square footage amount to reflect 7,000 square feet from ADOT and 22,000 square feet from City of Tucson: <i>“...City to convey approximately <u>22,000 square feet</u> of the City Property to the Authority”</i>	A MOTION was made and seconded (G. Bachman / C. Carroll) to approve the September 10, 2009 Regular Meeting minutes as corrected. Approved 7-0.

<p>III. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority's behalf by third parties.</p> <p>K. Valdez presented items to be paid on the Authority's behalf for the month of September 2009.</p>	<p>A MOTION was made and seconded (C. Carroll / R. Dorman) to approve payment of invoices presented. Approved 7-0.</p>
<p>IV. Status Report, and discussion regarding the assembly of downtown property, including negotiations with the City of Tucson related to transfer of ownership of land and purchase of land from the Arizona Department of Transportation ("ADOT") related to assembly of the development site or sites.</p> <p>M. Robinson opened discussion stating that this is the ADOT property known as 450 N. Main Avenue and/or Arts BBQ site, noting that this is a 7,000 square foot parcel owned by ADOT surrounded on 3 sides by City of Tucson right of way. The City of Tucson Mayor and Council have passed a resolution authorizing the transfer of the right of way, consisting of 22,000 square feet, to the Authority if the Authority is the successful purchaser of this property and it is determined that the use of the property will be for affordable housing and mixed use. It has been the consensus of the Authority's Board of Directors to not hold onto the property if purchased but to initiate a Request for Proposal ("RFP") process for public bid to develop the property. Ms. Robinson noted that there are zoning issues that remain to be settled. G. Molenda provided status on the due diligence required prior to submitting an offer. Mr. Molenda stated that an engagement letter for a Phase I environmental report was executed on October 1, 2009 and the completed report is expected on or before October 21, 2009. It was noted that there has been correspondence to and from ADOT requesting clarification of the historical significance as stipulated by wording on a special warranty deed. Correspondence received from ADOT states that it appears that although the building is "not eligible, non-contributing, the wording on the special warranty deed must be adhered to." M. Robinson noted that she received a memorandum from ADOT just prior to today's meeting stating that prior correspondence was in error and the building is not affected by any historical issues. Staff will pursue clarification regarding this issue. It was the consensus of the Authority's Board of Directors to obtain a complete title search.</p>	
<p>V. Status Report regarding operations of the Authority's parking lots.</p> <p>G. Molenda reviewed to-date financial information provided in the Authority's Board of Directors package noting that the format of the report describes the revenues and the costs for the 2 parking lots located at Block 175 and at Stone and Council. Mr. Molenda provided background information, stating that the Authority became the fee owner of the parking lot in November 2008 as a result of negotiations with the former general partner, the Downtown Development Corporation of Tucson, Arizona ("DDC"), at which point they agreed to settle discussions and transfer the property to the Authority. Prior to transfer, the Authority was a limited partner receiving 50% distribution. It was noted that there has been positive progression in terms of monthly revenue stating that Pueblo Parking Systems, LLC ("PPS"), property manager, has done a good job of professionally managing the properties. Mr. Molenda reviewed year to date bottom line revenue comparing it to historical revenue distribution received from the general partner from 1999 through November 2008.</p> <p>Mr. Molenda provided an update on the continuing discussions with property owner and representatives of El Charro Restaurant (the "Restaurant"). Mr. Molenda acknowledged that PPS has done a good job in fielding concerns and transitioning the lot to professional and more consistent management. Part of this transition involves enforcement and providing the framework of understanding the sub-market of downtown parking. PPS is working to position and manage the parking lots consistent to what other property owners, public and private, are doing downtown. The basic concept of enforcement is an integral part of properly managing the properties. PPS went through a very progressive education</p>	

<p>process over a period of time prior to issuing any tickets. In order for the Authority to make an informed decision with regard to evening and weekend monitoring, PPS was asked to gather data on revenue collected during evening hours and over the weekend. During the course of gathering this data on a Friday evening, approximately 24 tickets were issued to patrons of the Restaurant. As a result, the concerns of the Restaurant owners have been circulating by e-mail and regular mail to PPS, the Authority, the City Manager and Mayor & Council. The e-mail correspondence was reviewed by the Authority's Board of Directors. In response, a letter dated October 6, 2009 was drafted to the Restaurant owner by the Lotzar Law Firm, P.C. and signed by M. Robinson. The letter was read to the Authority's Board of Directors by M. Robinson.</p> <p>E. Martinez commented that she would like to see some consideration for businesses downtown, noting that the Restaurant is not the only business affected. M. Robinson stated that at the previous Authority's Board of Directors meeting, the Authority had agreed to offer the Restaurant the opportunity to rent 10 monthly parking spaces at the current rental cost and to include specially designated signage indicating those spots were specifically reserved for patrons of the Restaurant. As of this meeting, there has been no response to this offer or the letter sent with regard to the owners concerns, from the Restaurant. With regard to the Restaurant's concerns regarding lighting, PPS, on behalf of the Authority, offered to suspend enforcement activities after 6:00 p.m. until such time as lighting is installed at signage locations and certain supplemental signage is installed.</p> <p>R. Dorman commented that there is a perceived parking issue downtown but actually there are approximately 15,000 parking spots, including a lighted garage with security. Ms. Dorman suggested meeting with the Restaurant owners to discuss the challenges of bringing a parking lot such as Block 175 into the professional realm and ways the Restaurant can assist (i.e. validate). It was noted that the Restaurant should be educating their patrons. Discussion ensued and it was noted that a meeting will be held tomorrow between the Restaurant and PPS. A. Weinstein stated that the Authority needs to come up with a statement relative to the Authority's view of the parking situation downtown as a whole.</p> <p>C. Carroll stated that neighborhood on street parking is open after 5:00 p.m.</p> <p>G. Molenda provided additional background information, for the benefit of the new members, stating that the Authority had received communications from another downtown private parking lot owner who was critical of the Authority for not enforcing parking on the weekends and therefore, taking his business. Therefore, it is important that there is balance. PPS responded to this by distributing flyers and contacting surrounding businesses prior to enforcing the weekend monitoring.</p> <p>G. Bachman requested that a discussion be held at a future Authority meeting regarding the ultimate disposition of the parking lots.</p>	
<p>VI. Status report regarding The Industrial Development Authorities of the City of Tucson, Arizona and the County of Pima Single Family Mortgage Revenue Bonds, Series 2007B.</p> <p>C. Lotzar provided background information on this item beginning with a statement that in order to make a cost of issuance on a bond issue, an agreement needs to be entered into with a Master Servicer who pays a servicing release price. This price affords the Master Servicer the power to do all the servicing for the mortgages issued under the program. In the past, there was 1 Bond issue where the origination of mortgages was so poor that the Master Servicer lost a significant amount of money. As a result, for each Bond issue, the Authorities agree to repay some amount in the event of a non-origination call of the Bonds. For recollection purposes, Mr. Lotzar stated that when issuing bonds, the proceeds of the bonds are invested into a Guaranteed Investment Contract ("GIC") until mortgages can be originated. There is a 3 year period in which mortgages can be</p>	

<p>originated (“Origination Period”). In the event that mortgages cannot be originated during the Origination Period, then the Bonds must be called. When calling the Bonds, the investments are locked in the amount of obligation under the program. Mr. Lotzar then explained the concept of Bond Parity. The interest that can be earned on the bond proceeds, invested in the GIC, is less than the mortgage rate under the program. The delta between the money gained on the GIC versus the interest rate needed to pay on the Bonds is called “negative arbitrage.” In this situation, the Origination Period was as long as could be had economically as opposed to tax-based decision making. Mr. Lotzar reviewed the letter from Bank of America dated September 28, 2009 regarding the Pima/Tucson 2007B Advance Reimbursement which simply explains the economics associated with what has occurred. The Authorities obligation is related to the amount that didn’t originate at 1.5% that is to be split between the Pima County and Tucson Industrial Development Authorities (the “Authorities”). Mr. Lotzar stated that the Authorities are contractually obligated to make this payment that was fully disclosed prior to the issuance of the Bonds, noting that this was the risk of the transaction. It was also noted that there is still economics in the transaction to the Authorities but not at the same level had the Bonds been fully originated.</p>	
<p>VII. Discussion and request for resolution regarding the establishment of Authority Advisory Committees.</p> <p>M. Robinson stated that a few months ago, Mr. Lotzar provided some options as to how the Authority could set up small advisory committees and asked Mr. Lotzar to comment. Mr. Lotzar stated the term “advisory committees” comes out of the open meeting laws. The idea is that smaller groups of the Authority’s Board of Directors can concentrate on specific areas and make recommendations to the full Board for action. The President has the power to form committees on an adhoc basis and establish membership of the committee. The committee members do not have to be members of the Authority; the committee is designed to be an advisory role to the Authority’s Board of Directors as a whole. There will be requirements to have some level of meeting notice and minute taking.</p> <p>M. Robinson commented that the other aspect of this is to determine which topics are in need of this kind of attention and stated examples: mission statement, goals & priorities, ultimate use of the parking lots, etc. M. Robinson asked that the other Board members respond to her with recommendations of advisory committees that will be valuable to the Authority. It was noted however, that membership of the committees should be held off until the Authority has full Board membership to ensure that everyone is appropriately included.</p> <p>G. Bachman requested clarification on types of committees needed such as: topical related to problems or topical related to issues such as affordable housing.</p> <p>M. Robinson stated that she is interested in seeing topics that the Authority would like to focus on such as: 1) downtown community and neighborhood development, 2) affordable housing, 3) private activity bonds, 4) economic development and job creation, 5) fiduciary responsibility. Discussion ensued and it was noted that committee recommendations should be submitted 2 weeks prior to the November 12, 2009 Regular Meeting.</p>	<p>Item TABLED for action at the November 12, 2009 regular meeting.</p>
<p>VIII. Discussion and request for resolution related to the Authority’s charitable donations.</p> <p>M. Robinson reviewed the Authority’s sponsorship history provided in the Board packet.</p> <p>G. Bachman stated that there should be a form of transparency to the process of charitable donations and feels that it is appropriate to sponsor events that increases the Authority’s marketing exposure.</p>	<p>Item TABLED for action at the November 12, 2009 Regular Meeting.</p>

<p>A. Weinstein stated that there are 2 levels to consider: 1) related party business, and 2) meets the Authority’s mission. Discussion ensued and it was noted that the Authority is not in the business of making grants and has been cognizant of not conveying that impression.</p> <p>M. Robinson stated that historically, sponsorships were made to events that provided some value to the Authority. Discussion ensued regarding mission driven sponsorships and / or donation type opportunities participating in support of business affiliates rather than participating in a dinner. It was noted that advisory committees could make recommendations in their realm as to how contributions might be effected in moving their agenda that deals with an aspect of the Authority.</p> <p>G. Bachman stated that a process needs to be put in place and this should not just be a line item in the budget but rather, an investment strategy.</p> <p>It was the consensus of the Board to Table this item for action at the November 12, 2009 Regular Meeting.</p>	
<p>IX. Discussion and request for resolution related to the Authority’s training budget for FY09-10.</p> <p>M. Robinson stated that historically, the Authority has budgeted \$5,000 per fiscal year to be used to send Board members to conferences. R. Dorman and A. Weinstein provided a presentation relative to their attendance at the NALHFA 2009 Fall Educational Conference which was held on September 16-18-2009, in Denver, Colorado. Both R. Dorman and A. Weinstein commented that the \$5,000 training budget is light on an annual basis if the Authority is going to successfully send 2 or more members to more than 1 conference on an annual basis. It was noted that the most successful outcome to attending conferences is the networking and connections with other industry professionals and finding out what other municipalities are doing. Information provided in the Board packet regarding the Council of Development Finance Agencies (“CDFA”) training was reviewed. Also discussed was training courses offered by National Development Council (“NDC”). Discussion ensued regarding the cost of attending conferences and the possibility of identifying training opportunities that could be brought to Tucson that would benefit the entire Authority’s Board of Directors.</p> <p>G. Bachman distributed information from Fine Pointe Association, LLC that provides training on various aspects of community and economic development. Mr. Bachman stated that he has put in an inquiry with regard to local training and availability to provide training to the Authority. Rates for this type of training would include a daily rate plus expenses. It was noted that there is a possibility that this organization will be in Tucson this December and may be available to provide a day of training. The Authority currently has approximately \$1,700 remaining in the training budget for this fiscal year that ends June 30, 2009.</p> <p>M. Robinson asked for volunteers to get together to discuss training opportunities and budget and to make a recommendation to the Board at the next Regular Meeting.</p> <p>A. Weinstein stated that he would be willing to volunteer for this effort. He also noted that given his experience with this type of training, all background information would need to be provided to the facilitator in advance and expressed concern that the Authority may not be in position to proceed at this time unless a particular project could be identified such as the Warehouse Arts District project that would include Warehouse Arts Management Organization (“WAMO”).</p> <p>Volunteer committee: A. Weinstein and G. Bachman</p>	<p>A MOTION was made and seconded (G. Bachman / R. Dorman) to increase the FY09-10 training budget from \$5,000 to \$10,000. Approved 7-0.</p>

<p>X. Discussion and request for resolution authorizing the issuance of a request for proposal to obtain the services of 1 or more lobbyist and/or governmental consultants.</p> <p>C. Lotzar stated that in the past it was felt that the Authority needed separate representation from the City of Tucson at the State level and in Washington, D.C. It was noted that separate representation is not uncommon. A form of Request for Proposal (“RFP”) was prepared this past June and will be included in the Board packet at the next Regular Meeting to be held on November 12, 2009, for a vote. At the State Legislature this year, nothing happened as a result of budgetary problems and there is nothing happening in the foreseeable future other than perhaps downsizing government. Discussion ensued and it was noted that Pima County was shut out of a lot of funding because it had no voice speaking on its behalf. The evaluation criteria was not about the number of foreclosures or job losses, but rather an increase in employment rate and therefore did not make the cut in order to be eligible for the recovery zone bonds. It was noted that clearly there is disconnect in terms of being able to make a case to show need for consideration. C. Lotzar stated that on the Federal level this is something that the Authority might partner with The Industrial Development Authority of the County of Pima (“Pima County IDA”).</p> <p>M. Robinson asked Mr. Lotzar to distribute the drafted RFP to the Board via email prior to the next meeting for review.</p> <p>It was the consensus of the Authority to Table this item for action at the next Regular Meeting.</p>	<p>Item TABLED for action at the November 12, 2009 Regular Meeting.</p>
<p>XI. Discussion and request for resolution related to acknowledgement of the past service of Michael Hammond, Ben Buehler-Garcia and Sonia Trejo.</p> <p>M. Robinson stated that Michael Hammond, Ben Buehler-Garcia, and Sonia Trejo were members appointed to the Authority in 1996 and all spent at least 12 years on the Authority's Board of Directors and asked for suggestions for recognizing the service provided by these past members to the Tucson Community. Discussion ensued and it was the consensus of the Board to sponsor an appreciation dinner after the election that will be held in November, 2009.</p>	<p>A MOTION was made and seconded (M. Amado-Tellez / E. Martinez) to sponsor an appreciation dinner in recognition of the past service of Michael Hammond, Ben Buehler-Garcia, and Sonia Trejo. Approved 7-0.</p>
<p>XII. Staff Reports:</p> <ul style="list-style-type: none"> • Outstanding Single Family Programs – K. Valdez provided a status report on the 2003, 2004, 2007, and 2008 Mortgage Credit Certificate (“MCC”) programs beginning with a report on delinquent annual fees due which was noted as being relatively small and due to MCC holders who are currently in foreclosure as a result of the current economy. With regard to the 2008 MCC program, it was noted that to date, 26 MCC’s have been issued, 16 of which were issued this past quarter. Although the 2008 MCC program started off slow due to a gap between the 2007 MCC and 2008 MCC programs momentum has picked up. A brief discussion ensued regarding marketing efforts. • With regard to the 2008 Mortgage Revenue Bond program (“MRB”), pipeline reports and demographic information received from Bank of America, who is the MRB Master Servicer, were reviewed with the Board. The high number of cancelled loan volume was noted which is a result of the current economy and market. • K. Valdez stated that a proposed change to the FHA guidelines may pose an impact to the current MCC program. Typically the FHA down payment has been 3% and recently there has been a proposed change to increase it to 5% in addition to no more financing of closing costs with rebate. FHA is now under financial stress with decreased loan loss reserves. 	

<ul style="list-style-type: none"> • City of Tucson Requirements re: Membership on Boards – C. Lotzar stated that per the provisions of Tucson Code, Section 10A-134(e), a member who misses 4 consecutive meeting for any reason or who fails to attend for any reason at least 40% of the meetings called in a calendar year is automatically and immediately removed as a member of the Board. 	
<p>XIII. President's Report</p> <p>Brief Summary of current events, including items brought to the President's attention or matters that required handling by the President since the last Meeting.</p> <ul style="list-style-type: none"> • M. Robinson invited members of the Authority to a reception for the Director of the Arizona Department of Housing to be held November 13, 2009, at 4:30 p.m. at the University of Arizona College of Architecture and Landscape Architecture. This reception is being jointly sponsored by Pima County, City of Tucson, and the College. Invitations will be sent out. C. Lotzar stated that if 5 or more members attend, it will need to be posted as a social event. • M. Robinson distributed flyers for a workshop that the Arizona Department of Housing will be holding at the Curely School in Ajo, Arizona. The workshop is on Affordable Housing through Adaptive Reuse. Free transportation will be provided. • M. Robinson stated that a Board Retreat will be held as soon as Authority has a full Board of Directors with all vacancies filled. She asked that the Board members send in suggestions for Agenda items to be discussed. • M. Robinson stated that a meeting was scheduled and is currently being rescheduled with the City Manager to discuss a broader strategy for the Authority in the warehouse arts district. • M. Robinson stated that she has been appointed as an ex-officio member of the Downtown Tucson Partnership Board. • C. Lotzar stated that the Directors & Officers Liability insurance renewal application will be submitted tomorrow, Friday, October 9, 2009. 	
<p>XIV. Call to the Public: This is the time for the public to comment. Members of the Authority's Board may not discuss items that are not specifically identified on the Agenda. Therefore, pursuant to Arizona Revised Statutes Section 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism or scheduling the matter for further consideration and decision at a later date.</p> <p>There was no one present in the audience who wished to address the Authority.</p>	
<p>XV. Adjourn Regular Meeting.</p>	<p>A MOTION was made and seconded (A. Weinstein / R. Dorman) to adjourn the meeting. Approved 7-0 – meeting adjourned at 6:20 p.m.</p>

Submitted by:

Karen J. Valdez
Business Development Finance Corporation

Approved by:

Marilyn Robinson, President
The Industrial Development Authority of the
City of Tucson, Arizona